

## **Letter to the editor of *the Atlantic* commenting on William Langewiesche's "The Shipbreakers"**

“Regarding William Langewiesche's "The Shipbreakers" (August *Atlantic*): The solution to the growing glut of obsolete ships is not to encourage an almost pre-industrial craft but to develop a modern ship-scraping process that can competitively recycle a ship in a clean and safe manner.

Shipbreaking, with its reliance on raw human labor, is inherently inefficient. South Asian shipbreakers currently handle 500 to 700 mostly small vessels a year. Although that figure represents more than 90 percent of the world's scrapping activity, it does not represent the world market. Approximately 75,000 maritime vessels will have to be scrapped over the next thirty years. That means roughly 2,500 ships a year. The South Asian breakers have resisted looking at a process improvement because they are entrepreneurs, not industrialists. This is not to say that India, Pakistan, and Bangladesh are incapable of changing, but change will have to come from an infusion of domestic or international capital and government incentives for industrial enterprise growth. Although none of the South Asian governments in question has deemed the shipbreaking sector important enough for this kind of attention, the Japanese government has. In the late 1990s Japan's Overseas Economic Cooperation Fund committed \$66 million in official credit to India's port of Pipavav to construct two docks and berths for the scrapping of Japan's tankers. The endeavor, which plans to use water-jet technology for cutting, has been resisted by the rest of India's shipbreaking sector.

Although on a smaller scale, the model for Pipavav is the last efficient ship-disposal process conducted by the East Asian cartels in the 1980s. At its peak, in 1985, Taiwan, the People's Republic of China, and South Korea were scrapping nearly 70 percent of the world's tonnage, which amounted to 2,360 vessels worldwide. Although South Asia's market share amounted to 90 percent in 1996, only 711 vessels were scrapped worldwide that year.

Though many in the industry hoped that the U.S. Navy Ship Disposal Project would lead to an advanced ship-scraping process, that was not its mission. The Navy was to ensure that scrappers met U.S. environmental and occupational-safety regulations. Faced with a moribund domestic industry, the Navy decided to outsource rather than to subsidize a sector, to become competitive in the world market. Consequently, the Navy's solicitation did not require bidders to address macro-process or market issues. The Navy also did not provide incentives for capital investment in innovative technology or to achieve economies of scale. Although most of the awardees used some innovative approaches anyway, the Navy has been unable to guarantee a steady stream of ships, which has made it difficult to quantify savings of time or cost thus far. This is in part because the Navy retains ownership of scrap proceeds and remits that "profit" to the U.S. Treasury, not to reinvestment in the ship-disposal project. To turn this state of affairs around will take congressional action.

Two issues must be resolved to achieve safe, clean ship disposal over the next thirty years. First, an advanced industrial process must be developed — one that meets environmental and safety standards and is geared to the limited space in modern ports for scrapping operations. Second, to guarantee capitalization costs, investors will undoubtedly require subsidies or levies from states or the shipping industry to compensate for the effect that vacillating scrap prices have on enterprise stability. Industry circles are already discussing the latter issues. The process development will undoubtedly be resolved in the near future, because it is a technical problem, not a philosophical conundrum.”

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